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Witness: J. A. Argo

FREIGHT RATES APPLICABLE IN THE PROVINCE OF ONTARIO, CAPREOL, SUDBURY, NORTH BAY, OTTAWA AND SOUTH AND EAST THEREOF, WITH PARTICULAR REFERENCE TO MOTOR TRUCK COMPETITIVE RATES.

The only science that actually exists in the making of railway freight rates is that which will move commerce from one place to another at a charge which will pay to the railway company its operating expenses and make a reasonable return on the investment.

Taking the foregoing statement as fundamental, it should be kept in mind that, other than under the law of "Supply and Demand", commerce is foot-loose and, as it were, changes with the wind, so that freight rates are, at all times, subjected to the influences which actually, or tend to, affect fluctuation in the trend of commerce.

The Freight Classification is "The Bible" of transportation and the foundation of our rate structure, because it classifies the many commodities which move. Many elements enter into consideration in arriving at a decision as to which class any commodity should be placed in, and value is an important but not always a governing factor. In Canada, the Classification groups commodities into ten classes, numbered 1 to 10, and certain additional ratings are made a multiple of first class, such as one and one-half times first class, double first class, etc.

Freight rates may be grouped into three general descriptions:

1. Standard or Maximum Class Rates.
2. Special Class Rates.
3. Commodity Rates.

It should be stated at the outset that all freight rates published by the Canadian National Railways are subject to the jurisdiction of the Board of Railway Commissioners for Canada, and must be filed with the Board, as required by the Canadian Railway Act.

It is particularly important to realize that all freight rates published by the railway companies between any two points must be made available to all shippers who may desire to use them. They cannot be restricted for the use of one shipper only.

The railway companies are also obliged to accept all traffic offered for shipment. They cannot pick and choose as to what kinds of traffic they wish to handle.

In order that the freight rate structure within the Province of Ontario may be understood in a broad way, I will very briefly outline the normal basic rates applicable and then, in somewhat greater detail, review the action which has been taken to meet the competition of motor trucks operating on the highways.

A - NORMAL RATES

1. - Maximum Rates

Maximum rates which may be charged in the Province of Ontario, Capreol, Sudbury and south and east thereof, are published on a mileage basis as class rates (Classes 1 to 10, inclusive), governed by Canadian Freight Classification No. 19, G. C. Ransom, Agent, C.R.C. No. 983. These maximum standard mileage class rates are the only freight rates which

A - NORMAL RATES (Cont.)

must be approved by the Board of Railway Commissioners for Canada and published in the Canada Gazette before taking effect. Other tariffs are filed with the Board, but the rates in them do not have to be specifically approved before becoming effective; they are, however, subject to suspension and investigation by the Board on complaint of shippers or other interested parties that they are discriminatory. Canadian National Railways Standard Mileage Tariff of Maximum Freight Rates No. C. 18, C.R.C. No. E. 1210, is attached hereto as Exhibit No. 1.

2. - Town Tariff Rates (Schedule "A")

To provide a somewhat lower basis of class rates than those published in the maximum standard mileage class rate tariffs, specific class rates are published between the principal distributing centres and other stations in Ontario, most of which are on the basis of what is commonly referred to as Schedule "A", or Town Tariff Rates.

The Schedule "A" scale of rates was prescribed by the Board of Railway Commissioners for Canada in their decision in the International Rates Case, Board's Order No. 3258, dated July 6, 1907.

For distances up to 39 miles, Schedule "A" rates are the same as the maximum standard mileage rates. Beyond that distance Schedule "A" rates are gradually, but increasingly lower than the maximum rates. A few examples, for the first four classes (less than carload classes) may be of interest:

A - NORMAL RATES (Cont.)

Distance in Miles		Class Rates in Cents Per 100 Lbs. 1	2	3	4
40	Maximum	40	34½	30½	25
	Schedule "A"	36½	32	27½	24
	Spread	3½	2½	3	1
75	Maximum	54	47	41½	34½
	Schedule "A"	50	45½	37½	32
	Spread	4	1½	4	2½
100	Maximum	65	58	49	41½
	Schedule "A"	54	47	41½	34½
	Spread	11	11	7½	7
150	Maximum	72	63	54	45½
	Schedule "A"	65	58	49	41½
	Spread	7	5	5	4
200	Maximum	83	72	63	52½
	Schedule "A"	68	59½	52½	43
	Spread	15	12½	10½	9½
300	Maximum	108	95½	81½	68
	Schedule "A"	83	72	63	52½
	Spread	25	23½	18½	15½
500	Maximum	144	125½	108	90
	Schedule "A"	104	91½	79	65
	Spread	40	34	29	25
700	Maximum	190½	167½	144	119
	Schedule "A"	122	108	91½	77½
	Spread	68½	59½	52½	41½
900	Maximum	244½	214½	184	153
	Schedule "A"	140	124½	106½	88
	Spread	104½	90	77½	65
1000	Maximum	269½	235	203	169
	Schedule "A"	147½	130	112	91½
	Spread	122	105	91	77½

Specific class rates on the basis of Schedule "A" are included in Canadian National Railways Class Rate Tariff No. C. 39, C.R.C. No. E. 1539, (Exhibit No. 2), hereinafter referred to as C. 39.

A - NORMAL RATES (Cont.)

Between principal distributing centres (so-called Town Tariff points) and certain other stations in the territory, rates in Tariff C. 39 are on the basis of Schedule "A". Between other stations, neither of which is a Town Tariff point, the Schedule "A" rates from a more distant Town Tariff point are held as maxima; between some other stations, rates are on a group principle specified by the Board of Railway Commissioners, and between a few stations in the tariff they are on the maximum standard mileage class rate basis.

Schedule "A" rates for the first four classes (less than carload rates) are shown in Exhibit No. 3.

3. - Numerous Normal Specific Commodity Tariffs.

Class rates are, in many instances, too high to permit commodities to move, thus necessitating the publication of what are commonly referred to as "Commodity Tariffs", in which rates are provided, usually for shipment in carload lots, on a lower basis than class rates. Many such tariffs are published, applicable on Building Materials, including Sand and Gravel and Asphalt for road making purposes, Cement, Coal and Coke, Forest Products, Grain and Grain Products, Iron and Steel Commodities, Livestock, Petroleum and Petroleum Products, Paper and Paper Commodities, Pulpwood, Woodpulp and many other miscellaneous commodities.

While certain bases have been worked out for use when publishing normal commodity rates, with a view to maintaining a relative rate structure from competing producing

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A - NORMAL RATES (Cont.)

points, many rates may be said to be based on what is sometimes referred to as the three "C's", cost of service, competition and compromise.

B - SPECIAL RATES TO MEET MOTOR TRUCK COMPETITION.

With the improvement in highways and the advent of the motor truck as a common carrier, rail carriers' normal rates, class or commodity, as the case may be, were, in many cases, not low enough to retain the traffic to the rail lines.

Two kinds of traffic are involved, i.e., less than carload and carload shipments, and I will, as briefly as possible, outline the action which has been taken by the Canadian National Railways to enable us to retain a fair share of each type of traffic to our rails:

1. - Less than Carload Motor Truck Competitive Rates, Including Pick-up and Delivery Service.

(a) In the Territory Toronto, Scotia Jct., Parry Sound and South and West Thereof.

Effective March 6, 1933, the Canadian National Railways first published a tariff of commodity rates, applicable on less than carload shipments, in which the published rates included the cost of pick-up and/or delivery service at some fifty-two stations named therein. (C.N.Rys. Tariff No. C.T. 20, C.R.C. No. E. 1955, hereinafter referred to as Tariff C.T. 20). (Exhibit No. 4).

The rates in Tariff C.T. 20 applied between fifty-two stations at which the free pick-up and delivery service was provided, also between such stations and other

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B - SPECIAL RATES TO MEET MOTOR TRUCK COMPETITION. (Cont.)

stations named in the tariff which, in a broad way, were on and south of the Canadian National Railways line from Toronto through Guelph and Stratford to Sarnia, Ont., inclusive.

This territory was selected as a desirable one in which to make our initial experiment in providing pick-up and delivery service because of the density of traffic in it, and because of the keen truck competition experienced in that section of the country.

Rates named in the foregoing tariff were known as "All-Commodity Rates", and applied on all less than carload freight classified as such in Canadian Freight Classification No. 18, G. C. Ransom, Agent, C.R.C. No. 427, Except

Pieces or packages which could not be loaded into a standard box car, and through the side door thereof. Acids. Dynamite or High Explosives. Live Poultry. Livestock. Bulk Freight.

In other words, the rates were on an "All-Commodity" principle, with minor exceptions. All commodities offered for shipment in less than carload quantities, except those just mentioned, were accepted and charged at the one rate applicable between the shipping and destination point.

The only packing requirement specified was that shipments must be in such condition and so prepared for shipment as to render the transportation thereof reasonably safe and practical.

The minimum charge applicable was that for one hundred pounds at the rate applicable thereto, but not less than fifty cents.

B - SPECIAL RATES TO MEET MOTOR TRUCK COMPETITION. (Cont.)

The basis on which rates were constructed will be referred to later.

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The results of the experimental rates published in Tariff C.T. 20 were such that it was felt desirable to extend the territory in which they applied.

Effective August 1, 1933, in C.N.Rys. Tariff No. C.T. 25, C.R.C. No. E. 2036, (hereinafter referred to as Tariff C.T. 25) - Exhibit No. 5 - the free pick-up and/or delivery service was provided at a total of some ninety-three (93) stations, and rates published between those stations, also between them and other stations in the territory on and west and south of the line of the Canadian National Railways from Toronto through Newmarket, Barrie, Orillia and Gravenhurst to Scotia, Ont., thence west to and including Parry Sound, Ont. (Stations named included).

The general application of the tariff was the same as Tariff C.T. 20, i.e., all-commodity rates with, at the effective date, the same minor exceptions to commodities which would be handled under pick-up and/or delivery rates, although the excepted commodities were, from time to time, changed until at the time the tariff was cancelled (June 12, 1937) they were as follows:

Articles exceeding 22 feet in length.
Pieces or packages which could not be loaded through the side door of a standard box car, i.e., a car 36 feet 6 inches in length by 8 feet 6 inches wide and 8 feet high, inside measurements, with centre side doorway 6 feet wide by 7 feet 6 inches high.
Boats. Bulk Freight. Canoes. Dynamite or High Explosives. Ice Cream. Live Poultry. Livestock.

B - SPECIAL RATES TO MEET MOTOR TRUCK COMPETITION. (Cont.)

The number of stations at which free pick-up and/or delivery service was provided was from time to time extended until, on the date the tariff was cancelled (June 12, 1937), the service was performed at a total of one hundred and nine (109) Canadian National Railways stations.

Basis used for Rates in Tariffs C.T. 20 and C.T. 25.

The basis used for constructing rates in both Tariffs C.T. 20 and C.T. 25, was a mileage scale, starting with a rate of 30 cents for distances not over 40 miles, and graduated until a rate of 82 cents per 100 lbs., was reached for a distance of 450 miles. See Exhibit No. 3.

With a view to securing additional tonnage which had not been returned to the rail lines under rates originally published in Tariff C.T. 25, effective June 1, 1935, within the territory above described, we provided for a reduced basis on shipments weighing 1,000 pounds or more, as follows:

Where the Rate in Tariff C.T. 25 was shown as:	Rate on Shipments 1,000 Lbs. and over would be	Amount of Reduction
30 cents	25 cents	5 cents
32 "	26 "	6 "
34 "	27 "	7 "
36 "	28 "	8 "
38 "	29 "	9 "
40 "	30 "	10 "
Rates over 40 cents	Reduced	10 "

Rates in Tariff C.T. 25 were cancelled effective June 12, 1937, and a new basis of rates published in Tariff C.T. 28-1, which will be referred to later.

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B - SPECIAL RATES TO MEET MOTOR TRUCK COMPETITION. (Cont.)

(b) In the Territory Toronto and East of that Covered in Tariff C.T. 25, also between such Territory and the Stations Included in Tariff C.T. 25.

The pick-up and delivery rates published in the territory Toronto and west produced certain results, but with a view to determining whether or not the "all-commodity" rates were best suited to meet motor truck competition, a different method was experimented with in the territory Toronto and east thereof to Quebec City, also between stations in that territory and stations Toronto and west included in Tariff C.T. 25 previously referred to.

Canadian National Railways Tariff No. C.T. 28, C.R.C. No. E. 2274, was published effective May 1, 1935, hereinafter referred to as Tariff C.T. 28. (Exhibit No. 6).

Instead of "all-commodity" rates, it was decided to classify commodities shipped in less than carload quantities into four groups. A special classification was published in the tariff, listing over one thousand commodities which would be accepted and assigning them to one of the four groups.

In view of the fact that the tariff named the commodities which might be shipped at the rates promulgated, the only restriction published against acceptance of shipments was, -

> Articles exceeding 22 feet in length.
> Pieces or packages which could not be loaded through the side door of a standard box car, i.e., a car 36 feet 6 inches in length by 8 feet 6 inches wide and 8 feet high, inside measurements, with centre side doorway 6 feet wide by 7 feet 6 inches high.

B - SPECIAL RATES TO MEET MOTOR TRUCK COMPETITION. (Cont.)

As in the case of Tariffs C.T. 20 and C.T. 25, packing requirements were omitted, the tariff simply carrying a rule providing that articles must be in such condition and so prepared for shipment as to render the transportation thereof reasonably safe and practical.

The minimum charge was at first made the same as in Tariffs C.T. 20 and C.T. 25, but was later revised to a minimum of "the charge for the entire shipment calculated on basis of actual weights at the rate or rates applicable, but not less than 50 cents".

Free pick-up and/or delivery service was at first provided at one hundred and nineteen (119) stations, and later extended to include a total of one hundred and thirty-five (135) stations.

The rates in Tariff C.T. 28 between stations in the Province of Ontario were constructed on the basis of Schedule "A" or "Town Tariff" rates (see Exhibit No. 3) for Classes one to four, inclusive, applied to Groups one to four, inclusive, but fractions of a cent were dropped. Between stations east of Montreal, and stations in Ontario, the rates for Groups one to four, inclusive, were made the same as our specific class rates for Classes one to four, inclusive, as published in C.N.Rys. Tariff No. C. 39 (Exhibit No. 2). Rates were not provided for distances in excess of 375 miles.

Tariff C.T. 28 was found, in actual practice, to have certain advantages over Tariff C.T. 25. Additional commodities could be added from time to time and assigned to

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B - SPECIAL RATES TO MEET MOTOR TRUCK COMPETITION. (Cont.)

the group which would best meet the competitive situation. Commodities already in the tariff could be re-classified to meet changing conditions as they were, from time to time, found to exist. Some commodities could be assessed a higher rate than others, thus proving the value of the four group classification as compared with the "all-commodity" rates in Tariff C.T. 25.

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(c) Current Rates in the Territory Levis, Diamond, Riviere a Pierre, Hervey, Que., and West Thereof to Sudbury, Capreol, Sarnia and Windsor, Ont., also to Sault Ste. Marie, Ont.

The experience gained from the experiments made with the two types of tariffs described - C.T. 25 and C.T. 28 - convinced us that the "four group" tariff was preferable to the "all-commodity" arrangement.

Effective June 12, 1937, therefore, Tariffs C.T. 25 and C.T. 28 were cancelled, and a new tariff, C.T. 28-1, C.R.C. No. E. 2604, was published effective June 14, 1937, (Exhibit No. 7) hereinafter referred to as Tariff C.T. 28-1.

A list of commodities on which rates would apply, classified into Groups 1 to 4, inclusive, similar to that in former Tariff C.T. 28, is included on Pages 3 to 24, inclusive, of the tariff. This list of commodities has been printed separately, and copy is submitted as Exhibit No. 8. The exceptions to commodities which would be accepted for shipment are the same as in C.T. 28, i.e.,

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B - SPECIAL RATES TO MEET MOTOR TRUCK COMPETITION. (Cont.)

Articles exceeding 22 feet in length.
Pieces or packages which cannot be loaded through the side door of a standard box car, i.e., a car 36 feet 6 inches in length by 8 feet 6 inches wide and 8 feet high, inside measurements, with centre side doorway 6 feet wide by 7 feet 6 inches high.

See Item No. 8, Page 36 of the tariff.

Packing requirements simply provide that articles must be in such condition and so prepared for shipment as to render the transportation thereof reasonably safe and practical. See Item 12, Page 36 of tariff.

Pick-up and delivery service was authorized at a total of one hundred and thirty-three (133) stations, including twenty-six (26) sub-terminal stations, or a total of one hundred and seven (107) major stations. Three additional stations at which cartage service is performed have since been added to the tariff - a total to date of one hundred and ten (110) major stations, or one hundred and thirty-six (136) including sub-terminal stations at larger centres. These stations are listed in Item No. 14, Page 37 of tariff as amended.

Rates in the tariff apply between the pick-up and delivery stations; also between such stations and all other stations on the Canadian National Railways in the territory Levis, Diamond, Riviere a Pierre, Hervey, Que., and west thereof to and including Capreol, Sudbury, Sarnia and Windsor, Ont.; also between the pick-up and delivery stations and stations on the Montreal and Southern Counties Railway, Thousand Islands Railway and Wabash Railway in Canada; also between Sault Ste. Marie, Ont., (A.C. & H.B. Ry.), and all

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B - SPECIAL RATES TO MEET MOTOR TRUCK COMPETITION. (Cont.)

stations in the territory outlined.

Rates in Tariff C.T. 28-1 are, with minor exceptions which will be mentioned later, published on the same basis used in Tariff C.T. 28, without observing the mileage limit of 375 miles, i.e.,

(a) - Between stations Montreal, St. Lin and Valleyfield, Que., and stations west thereof;
Also between stations Montreal, St. Lin and Valleyfield, Que., and stations east thereof;

On the basis of Schedule "A" or "Town Tariff" rates for Classes one to four, inclusive, assigned to Groups one to four, inclusive, (See Exhibit No. 3) but fractions of a cent were dropped. See Exception below.

(b) - Between stations east of Montreal, St. Lin and Valleyfield, Que., and stations west thereof;

Rates for Groups one to four, inclusive, are made the same as our published "specific" class rates for Classes one to four, inclusive, as promulgated in C.N.Rys. Tariff No. C. 39, (Exhibit No. 2), but fractions of a cent were dropped. See Exception below.

(c) - Between Sault Ste. Marie, Ont. (A.C. & H.B. Ry.) and other stations in the tariff, rates are published on the basis of Classes one to four, inclusive, in normal class tariff, C.N.Rys. No. C. 81, C.R.C. No. E. 2473, (Exhibit No. 9) but fractions of a cent were dropped. See Exception below.

(d) - A special "all-commodity" rate between Montreal, Que., and Toronto, Ont., of 70 cents per 100 lbs., on shipments weighing less than 5,000 lbs., and 60 cents per 100 lbs., on shipments weighing 5,000 lbs., and over, which had previously been in effect in Tariff C.T. 25, was continued in Tariff C.T. 28-1.

(e) - EXCEPTION to General Basis outlined -
As motor truck competition is not quite as keen on long haul movements, it was felt that beyond a certain distance something could be added to the

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B - SPECIAL RATES TO MEET MOTOR TRUCK COMPETITION. (Cont.)

(e) EXCEPTION (Con.)

rates on the basis outlined above to partially cover the cost of cartage. The following procedure was followed:

All rates up to and including those where Group 1 rate is $1.00, pick-up and/or delivery service is provided without cost to the shipper.

Where Group 1 rate is published as $1.08 or $1.12, four cents has been added to rates in all groups.

Where Group 1 rate is published as $1.18 or $1.21, six cents has been added to rates in all groups.

Where Group 1 rate is published as $1.27, $1.30 or $1.33, eight cents has been added to rates in all groups.

Where Group 1 rate is published as $1.40, $1.43, $1.47 or $1.50, ten cents has been added to rates in all groups.

To give you an idea of where the "plussed" rate begins, I may say that between Toronto and Quebec City, the rate is $1.00 on Group 1 commodities, and it is, therefore, not subject to the additional charge. Between a station west of Toronto and Quebec City, the rate has been "plussed".

Between Montreal, Que., and Glencoe, Ont., and intermediate stations, no "plus" has been added. Beyond Glencoe the rates are increased to offset cartage.

A rate of $1.00 in Schedule "A" covers a distance of four hundred and eighty miles, so in all cases where rates are constructed on the basis of Schedule "A", the entire cost of pick-up and delivery service is absorbed on shipments

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B - SPECIAL RATES TO MEET MOTOR TRUCK COMPETITION. (Cont.)

moving not in excess of 480 miles. Beyond that distance something has been added to the rate to partially cover the cost of cartage.

Item No. 13, Page 36 of tariff, provides that the minimum charge for a shipment will be that for the entire shipment calculated on the basis of actual weights at the rate or rates applicable, but not less than fifty cents.

Rates in Tariff C.T. 28-1 may be used on export and import traffic, and on shipments for furtherance to, or received from, Newfoundland or the Islands of St. Pierre and Miquelon, subject to the addition of terminal charges at the port via which shipments move (usually four cents per hundred pounds, with a minimum charge of one dollar).

Tariff C.T. 28-1 also provides that heater or refrigeration service will be furnished when requested by the shipper, at the rates named in the tariff plus 10%, subject to a minimum weight of 5,000 lbs. per shipment. (See Item No. 15, Page 38 of tariff).

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(d) Additional Pick-up and/or Delivery Services To or From T. & N.O. and Nipissing Central Railways.

We have, in addition to the pick-up and delivery rates published in Tariff C.T. 28-1, provided for free pick-up and/or delivery service on less than carload freight classifying fourth class or higher in Canadian Freight Classification No. 19, G. C. Ransom, Agent, C.R.C. No. 983, (Exhibit No. 10), on shipments moving between stations at which

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B - SPECIAL RATES TO MEET MOTOR TRUCK COMPETITION. (Cont.)

pick-up and delivery service is provided on the Canadian National Railways, Montreal and Southern Counties Railway Company and The Thousand Islands Railway Company, and stations on the Temiskaming & Northern Ontario Railway and Nipissing Central Railway Company.

The free pick-up and delivery service is authorized in connection with normal class rates published in C.N. Rys. Tariff No. C. 70, C.R.C. No. E. 1854, (Exhibit No. 11) - see Supplement No. 4.

The stations at which the free cartage service is provided are the same as those in Tariff C.T. 28-1. No free pick-up or delivery service is provided at stations on the Temiskaming & Northern Ontario Railway or Nipissing Central Railway Company.

Packing requirements are eliminated and tariff simply requires that articles must be in such condition and so prepared for shipment as to render the transportation thereof reasonably safe and practical.

In as much as the Canadian Freight Classification is used, the commodities which will not be accepted for pick-up or delivery service are named in Item 5, Page 2 of Supplement No. 4, as follows:

Articles exceeding 22 feet in length.
Boats. Bulk Freight. Canoes. Dynamite or High Explosives. Ice Cream. Live Poultry. Livestock.
Pieces or packages which cannot be loaded through the side door of a standard box car, i.e., a car 36 feet 6 inches in length by 8 feet 6 inches wide and 8 feet high, inside measurements, with centre side doorway 6 feet wide by 7 feet 6 inches high.

B - SPECIAL RATES TO MEET MOTOR TRUCK COMPETITION. (Cont.)

Other general regulations are the same as those in Tariff C.T. 28-1.

2. Carload Commodity Rates Published to Meet Motor Truck Competition.

A large number of motor truck competitive commodity rates, applicable on shipments in carload quantities, also any quantity rates, are in effect. The rates vary from time to time to meet constantly changing competitive conditions. The large majority of these rates, applicable between stations in the Province of Ontario, are published by the Canadian National Railways in Tariff No. C.M. 195, C.R.C. No. E. 2115. (Exhibit No. 12).

Tariff C.M. 195 also includes water competitive rates, but the nature of the competition being met is indicated by symbol in the left-hand column, i.e.,

M in a circle - To meet motor truck competition.
W in a circle - To meet water competition.
M W in a circle - To meet motor truck and water competition.

It is not practicable to attempt to give you the basis for these carload and any quantity truck competitive rates. Published to meet competition, they necessarily must be influenced by the rate of the competing carrier, and they must change as conditions change. They cannot be arrived at by any slide rule method.

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The information I have given you covers, in a general way, our freight rate structure in the Province of Ontario.

If any additional data is desired, I will be only too glad to give it to you, either verbally or in writing if that is preferred.

J. H. Argo

Chief of Tariff Bureau.

CANADIAN NATIONAL RAILWAYS

Montreal, Que.,
November 29, 1937.
T.